



CITY OF ALAMEDA • CALIFORNIA

SPECIAL MEETING OF THE CITY COUNCIL
MONDAY - - - JUNE 9, 2008 - - - 6:00 P.M.

Time: Monday, June 9, 2008, 6:00 p.m.

Place: **Council Chambers**, City Hall, corner of Santa Clara Avenue
and Oak Street

Public Participation

Anyone wishing to address the Council on agenda items or business introduced by the Council may speak for a maximum of 3 minutes per agenda item when the subject is before the Council. Please file a speaker's slip with the Deputy City Clerk if you wish to speak on an agenda.

Pledge of Allegiance

Agenda:

1. Roll Call
2. Workshop on the City's Two-year Financial Plan and Capital Improvement Projects for Fiscal Years 2008-10.
3. Adjournment


Beverly Johnson, Mayor

- Sign language interpreters will be available on request. Please contact the City Clerk at 747-4800 or TDD number 522-7538 at least 72 hours prior to the Meeting to request an interpreter
- Equipment for the hearing impaired is available for public use. For assistance, please contact the City Clerk at 747-4800 or TDD number 522-7538 either prior to, or at, the Council Meeting
- Accessible seating for persons with disabilities, including those using wheelchairs, is available
- Minutes of the meeting available in enlarged print
- Audio Tapes of the meeting are available upon request
- Please contact the City Clerk at 747-4800 or TDD number 522-7538 at least 48 hours prior to the meeting to request agenda materials in an alternative format, or any other reasonable accommodation that may be necessary to participate in and enjoy the benefits of the meeting

Fiscal Year 2008-2009 Proposed Budget
Issue Bin Items
June 9, 2008

Police Department Issues

1. Please explain the reasons and activities creating the need for overtime in the Police Department.

Generally, overtime is the direct result of officers extending or adding shifts to their schedules in order to accommodate shortages created by vacancies resulting from long-term illness or injury, mandatory training, scheduled vacations, family leave, and other leaves as well as some vacancies due to retirements and attrition. With up to one full year required to hire and train a police officer, an unexpected retirement can add to the overtime need. Additionally, the use of overtime is affected by the need to respond to and investigate criminal acts; last year's homicide investigation required a significant use of overtime to solve the crime.

The Police Department's budget proposal calls for the department to reduce \$22,000 from the annual overtime budget. This reduction should not be difficult to achieve given current staffing levels.

2. What is the history of animal shelter donations and what are the projections for the future.

The animal shelter has received a variety of donations over the past several years, including \$60,352 from one estate in 2007 and \$51,691 from a trust in March 2008. In early 2008, the Police Department was notified of a potential donation of approximately \$270,000. In May 2008, the Department was then advised that this donation was actually going to be approximately \$153,000. The amount was substantially less than initially expected due to costs associated with the bequest, such as legal fees. Although it is difficult to project future large donations, the department and the animal shelter are working to find other donation opportunities and are reviewing other revenue sources related to the animal shelter operation.

3. Can the animal shelter donation be invested to make the money last longer, i.e. like an annuity?

While it is possible to invest the donations provided the bequest has no specific restrictions limiting the City's ability to do so, it will be difficult to do so given the small size of the donation. Therefore, staff would invest the funds in the City's regular portfolio, which earns approximately 4%. In addition, the budget proposal incorporates the anticipated donations into the revenue assumptions. Therefore, if the Council directs this action, and a fiduciary trust fund is created in order to separate the earnings, the difference in the revenue assumptions would have to be

incorporated into the proposed budget, and the department would have to identify the reductions that would accommodate such a decrease.

4. What level and type of services does San Leandro receive by contracting with the City of Fremont for animal shelter services?

There are two key elements of the animal services function in local government: animal control and sheltering. The City of San Leandro contracts with the City of Fremont-run Tri-City Animal Shelter for animal shelter services for \$79,823 per year. The contract with Tri-City allows for the care, feeding, boarding, maintenance, euthanasia, disposal, redemption, and adopting of dogs, cats, and other domestic animals. Under this arrangement, the residents of San Leandro travel to Fremont to retrieve their lost pets.

The City of San Leandro continues to fund two Animal Control Officers and a shelter facility to address enforcement, deal with emergency situations, and transport the animals to the Tri-City facility. Further, licensing in San Leandro is handled by the Finance Department, while the Alameda Animal Shelter licenses pets in Alameda.

In order to contract for animal shelter services with Fremont or another agency, such as the City of Oakland or the County, the Police Department would have to perform an analysis of both the cost of contracting the shelter services and the options related to providing the animal control functions. It would be likely that the City would employ a similar model as that used in San Leandro, necessitating, at a minimum, the funding of two Animal Control Officers for a total of \$195,172 annually in salary and benefits with additional costs for operations.

5. Can the City provide our animal shelter services to other cities for a fee?

There is kennel space available in the animal shelter from time to time; however it can reach capacity depending on the time of year. In addition, there are only three cages suitable for those canines identified as potentially dangerous. If the City contracted with other agencies, there is the possibility that the capacity may be exceeded in both the general kennel spaces and in those for Potentially Dangerous Dogs.

Further, accommodating additional animals in the animal shelter also would raise a variety of other issues for the shelter operations. For example, there could be an increased opportunity for introducing disease into the pet population, and there is no veterinarian on staff to deal with this concern. Given the current resources in the animal shelter, providing services to other agencies does not appear to be cost effective.

6. Please provide more information on the Senior Dispatcher position reduction. What effect does this have on the Communications Center?

As part of the Police Department's budget reduction plan, staff proposed the unfunding of one Senior Dispatcher to capture a savings to the department while minimizing service disruption. The Senior Dispatcher serves in the role of a shift supervisor. Originally, the department funded and staffed four Senior Dispatchers to maximize supervision throughout the workweek. One of those positions was eliminated to create the Communications Supervisor. Two of the currently allocated supervisor positions are filled, and the remaining one has been vacant for approximately two years.

The department chose to unfund one Senior Dispatcher because there is sufficient supervision at this time with the addition of the Communications Supervisor. Although, there is overtime every month in the Communications Center, not filling the third Senior Dispatcher will not increase the use of overtime.

7. Are there other cities that would use our jail for a fee?

After reviewing the possibility of offering other cities the opportunity to use the Alameda Police Department (APD) jail for a fee, it does not appear to be a feasible option, as it would not generate revenue. The surrounding cities employ one of two approaches to providing jail services; the city either provides the direct service by staffing and operating a holding facility or it contracts with the County.

Several surrounding agencies operate their own jail and do not require need additional space for their prisoners. Similar to the Alameda facility, the jails in Berkeley, Hayward, and San Leandro are Type 1 facilities. APD staff contacted the jail supervisors at these facilities and was informed that all of these agencies regularly operate at one-third to one-half of their capacity on any given day. This is primarily due to their status as Type I jails, which means that no prisoner remains in the jail in excess of 96 hours. The jail never reaches capacity because prisoners are moved to court daily (except weekends and holidays). Since there is capacity in the other local facilities, it is not likely they would pay to transfer someone that they could absorb as part of their normal operation

Of these agencies, Berkeley is the only one that contracts out its services; UC Berkeley's Police Department pays a flat rate of \$1,500 per month, regardless of the number of bookings. The transportation and court issues do not arise since the arrests occur within the Berkeley city limits. On occasion, they book California Department of Corrections (CDC) parole arrests, but CDC will not pay more than \$68.22 per day per prisoner.

Those agencies that do not operate their own facility book prisoners through the Alameda County jail facilities at no cost if they do not exceed its previous three-year average of bookings. This method of charging and collecting booking fees has

changed in recent years. Alameda County currently collects booking fees from the Jail Access Appropriation per AB 1805 (CH 78 Statutes of 2006). Rather than invoice an agency monthly, the booking fees are taken from the appropriation, up to a pre-determined limit. Once the agency exceeds its previous three-year average, Alameda County directly invoices the department at a rate of \$254.09 (full booking) or \$180.80 (partial booking). This would leave other agencies with no incentive to contract for the City of Alameda's services.

8. How much does the General Fund receive from moving violations?

The City receives approximately \$180,000 a year from the County for its share of moving violations occurring in Alameda. These funds are received in a special revenue fund and transferred in full to the General Fund in support of Police operations. In addition, Traffic School Fees are collected by the County and remitted to the City of Alameda. This is approximately \$70,000 per year and is recorded in the General Fund in support of Police operations.

9. What are the uses of the parking citation revenue?

Parking citation revenue, net of those issued in the Civic Center Garage, are collected and recorded in the General Fund in support of Police operations, including parking enforcement. These revenues do not offset the costs the Finance Department incurs to process the citations and collections.

Fire Department Issues

1. What are the savings and the impacts of Fire staffing changes—the reduction of the vacant Administrative Management Analyst and the Training Captain (upon retirement)?

The reduction of the Administrative Management Analyst will save \$103,762. This position, which was authorized but never filled, would provide the Fire Department with a non-sworn professional capable of doing research, forecasting, budget oversight, project management, management studies, and grant applications. This position would also be responsible for the implementation of new initiatives such as an Emergency Medical Services (EMS) subscription service, bonding/tax initiatives, other new fees, and a host of other projects. While the position's impact on the day-to-day operations of the department is moderate, the position would greatly assist the department in solving its long-term budget and management issues.

The Fire Department currently has two Training Captains. One of the captains is retiring in July 2008 and the position will be held vacant. This reduction will save the department \$197,083. Training is essential to ensure the safety of our members and the quality of our services. Most training is mandated by OSHA or other state and

federal regulations and must be refreshed each year. There topics that firefighters must be trained in each year, including:

- Confined space operations
- Illness and Injury Prevention
- National Incident Management System (NIMS)
- Emergency vehicle driving
- Incident Command System (ICS)
- EMT/Paramedic Continuing Education
- Blood borne Pathogens
- Wildland Firefighting
- Structural firefighting and live burns
- Weapons of Mass Destruction

By reducing this position, the department will be unable to conduct a recruit academy. If vacancies should occur, the department will need to send recruits to another agency's academy. The alternative of not hiring recruits to fill vacancies would lead to the use of additional overtime.

2. Please explain the savings, impacts, and implementation of the proposal to manage overtime through a rotating fire company closure.

The rotating closure of up to one fire company on days when staffing falls below 27 firefighters on duty is projected to save \$820,581 in overtime costs. This will be accomplished by alternating closure between the two truck companies located at fire stations #1 and #2. Truck companies are responsible for ventilation, forcible entry, search and rescue, utility control, salvage property conservation, and vehicle extrication. They are not normally staffed by paramedics, and they generally do not respond to medical calls, which comprise approximately 80% of the department's calls for service.

Some of the impacts of this proposal are:

- An additional engine company will need to replace the truck on fire responses
- Less depth of resources to manage multiple incidents which occur 37% of the time
- Potential for longer response times which may impact property loss, business interruption, and rescue and medical service delivery
- No second alarm capability requiring more frequent County mutual aid
- Complicates dispatch procedures and will require manual intervention

A review of the Fire Department's calls indicates that 63% of the time, the department has one call in progress, while 37% of the time there are multiple calls in progress. The multiple calls could be two or more emergency medical, two or more fire, or some combination thereof. Should two or more incidents occur simultaneously, the response times could increase with one truck rotated out of service. In such a situation, the Fire Department would rely on the City of Oakland

for mutual aid. According to a letter recently received from Oakland's Fire Chief, Oakland provided mutual aid approximately 35 times over the course of two years.

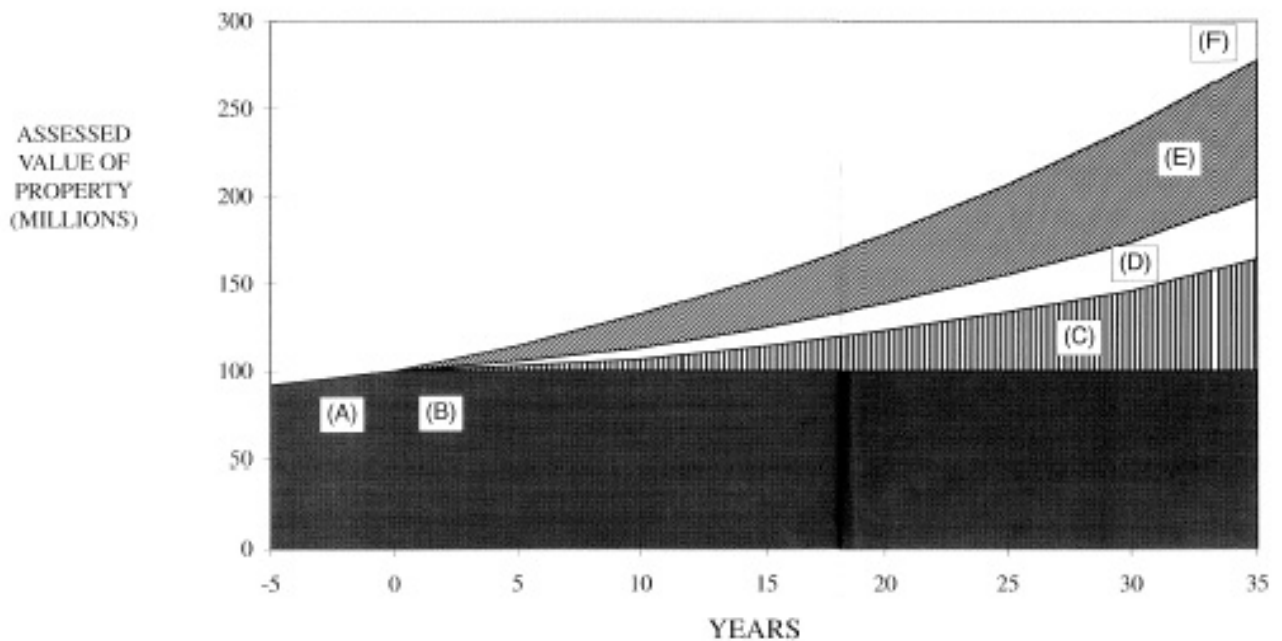
Development Services Department Issues

1. What is the acreage in the Redevelopment areas and please explain how tax increment works in a Redevelopment area?

The acreage in the Alameda redevelopment areas totals 3,664 acres. It is allocated among the three areas as follows:

- Alameda Point Improvement Project = 2,566 acres
- Business Waterfront Improvement Project = 873 acres
- West End Community Improvement Project = 225 acres

The following describes how tax increment works in the Redevelopment area:



- (A) Before a redevelopment project area is formed, all property tax revenue goes to the county, city, schools, and special districts. In a blighted or underdeveloped area, the tax revenue is usually stagnant or lags behind the increases in land values of areas that do not have these characteristics.
- (B) When the redevelopment project area is formed, all tax agencies continue to receive the tax revenue they received before the redevelopment agency was formed.

- (C) In addition, the redevelopment agency shares an increase of two percent annually, a mandatory amount of the increased property tax revenues with the county, school districts, special districts, etc., using a formula in the law. This is intended to offset significant detrimental fiscal impact due to redevelopment. The redevelopment agency passes these tax revenues through to the taxing agency each year. In Alameda, the Redevelopment Agency, known as the Community Improvement Commission, or CIC, also gives other negotiated funds to the School District to assist with the goals of the District.
- (D) Twenty percent of the “tax increment must be set aside into a special fund for low- and moderate-income housing programs administered by the redevelopment agency, or CIC. In addition, the CIC of Alameda requires all new housing projects to provide 25 percent of its units, for-sale or rental, to low- and moderate-income families.
- (E) As property is sold and as new construction (private and public) occurs in the redevelopment area, the assessed value of the property goes up. This causes tax revenue to increase even though the tax rate does not change. The increased tax money is known as “tax increment.” It is used by the redevelopment agency to pay the expenses of improving the area and eliminating blight.
- (F) At the end of the redevelopment project (typically 35-45 years), after all agency debts are paid, the redevelopment project is terminated and all tax revenue from the increased assessed value created by redevelopment of the area goes to all other tax agencies in the project area in proportion to their tax rates.

2. How much is Alameda Point contributing towards the cost of services provided?

Alameda Point pays for the Development Services staff who work on base reuse issues. In addition, the Alameda Reuse and Redevelopment Authority (ARRA) will allocate \$2.7 million to the General Fund in both FY 2008/2009 and FY 2009/2010 through its annual Municipal Services payment to the General Fund. In addition, the proposed budget includes a payment by ARRA of \$480,000 towards its General Fund loan.

Alameda Recreation and Parks Department/Golf Issues

- 1. Please provide an analysis of the operations involved in maintaining the Meyers House, including any difference between revenues generated by the trust and costs.**

Current annual expenditures to maintain the exterior of the Meyers House are approximately \$40,000. The department receives reimbursement from the East Bay Foundation Trust in the amount of \$13,000 to \$18,000 each year; the remaining expenditures of \$22,000 to \$27,000 are currently being absorbed in the Park Maintenance Division budget. These expenditures only cover the maintenance of the grounds and do not include major capital items such as roof replacement or painting. If the City was unable to continue to operate the grounds as a park, the property would revert to the Trust, and they would be free to use the property in whatever manner they chose. This option could force the Alameda Museum to vacate the inside of the property and relocate.

The current FY 2008-2009 budget reflects a General Fund expenditure of \$25,000 to maintain the property. This will be supplemented with an additional \$13,000 to \$18,000 from the Meyers Trust. These funds are allocated in the Non-departmental account for Cultural Arts. This account includes the allocations for the maintenance of the grounds of the Meyer's House as well as the \$50,000 for the Alameda Museum; \$46,000 of this amount is appropriated for the rent subsidy and \$4,000 for the matching grant.

- 2. What resources can be applied to keep all ten free park sites open?**

All ten free park sites would remain open if the \$25,000 in general funds allocated for the Meyers House in the FY 2008/09 budget proposal were redirected to this effort.

- 3. What is the impact of eliminating the Senior Clerk position?**

The elimination of the full-time Senior Clerk Position will result in the duties being reassigned to existing staff. This transition will be aided by technological advancements that have been instituted in recent years. For example, one of the Senior Clerk's major responsibilities is processing program registrations. The online registration system, which was implemented in the last few years, currently processes approximately 30% of the program registrations. This technology has resulted in a reduction in the number of in-person transactions formerly conducted by this position. This position was selected for elimination because it would have the least effect on the department's ability to provide core services to the community. The individual currently in this position will be transferred to the Housing Authority.

4. What savings are achieved by reducing night lighting?

There is a savings of \$7,500 realized per site.

5. What are the savings associated with the elimination of the ARPD special events?

The Recreation and Park Department currently provides a total of 17 City Special Events. These activities offer a wide variety of recreational experience to thousands of youth, adults, and families each year. The total annual expenditures for these events are \$68,500. The elimination of the Run for the Parks and Art in the Park special events will save \$15,000.

6. Why was there growth in ARPD staff, from 24 to 30, over the past 5 years?

In 1997 there were a total of 24 positions in the Recreation and Park Department. By 2002, this number had increased to 30, a net increase of six positions. Four of those positions were added to provide additional programming to the community and are currently funded through the use fees generated by the activities provided. No General Fund monies are expended to pay for these positions. The remaining two positions consisted of one position transferred to the Recreation and Park Department from Public Works, and subsequently eliminated in 2005, and one additional Park Maintenance Worker funded through the Bayport Assessment District. It is important to note that in FY 2008/2009 and FY 2009/2010, the department will have 28 positions, but four of those positions will be paid out of the Athletic Trust Fund, which is the department's revenue-generating account. The remaining 24 positions are General Fund positions.

7. Please provide a briefing on the Golf Complex - budget, master plan, and deferred maintenance.

The Golf Complex continues to experience a significant downward trend in terms of both revenue and the number of rounds being played. As of April 30, 2008, the total number of rounds for the current fiscal year is down 13,187 when compared to last fiscal year, and the Golf fund balance has been reduced by approximately \$770,000. The months of May and June are expected to be stronger and should reduce the deficit to some extent.

Staff continues to attempt to identify and enact cost-saving measures as appropriate. For example, both the General Manager and Golf Services Manager positions remain vacant. Every aspect of the operation has been reviewed to determine potential savings and to increase efficiencies.

The National Golf Foundation anticipates completing the master plan in the near future. The plan will be brought to Council along with a recommendation for the future operation of the complex at their meeting on July 1.

Public Works Department Issues**1. What is the impact of eliminating two tree crew employees? What are the net savings? Will we have more deferred maintenance?**

One of the proposed cuts for the Public Works Department is the elimination of the two-person street tree crew for a total reduction of \$155,000. The crew, which consists of a team leader and a maintenance worker II, performs small/young tree pruning, new tree plantings and emergency response to downed limbs. These reductions will require that emergency response to tree-related issues be addressed by an independent contractor. Staff anticipates a moderate delay in response to broken limbs during actual storm events as the contractor may have other storm-related responsibilities. In addition, there will be less over-all pruning of young trees and no planting of new trees.

The proposed budget provides \$50,000 to fund an independent contractor to perform emergency response work and some young tree pruning. The net savings, therefore, is \$105,000. Staff anticipates that the reduction in the pruning of small/young trees will impact the future tree pruning requirements of the trees as they mature. This could result in poor tree structure that may lead to a greater number of downed limbs during storms. Staff will monitor the effectiveness and responsiveness of using an independent contractor for these services to determine if the City should continue to contract out this work in future years.

Planning and Building Department Issues**1. How are Planning and Building funds spent? What can they be used for? What are the restrictions on funding sources?**

The Planning & Building Department's proposed budget for Fiscal Years 2008/2009 and 2009/2010 includes expenditures totaling \$4.2 million. Approximately 70%, or \$2.85 million, is allocated to personnel costs for staff that provides planning and building services to the community. The remaining 30% of the budget is dedicated to services and supplies, which have been significantly streamlined to ensure that the department continues to be a cost-covered operation over the next two fiscal years.

The department's expenditures are fully offset by the revenues collected through the fees it charges for planning and building services. There are restrictions to how these funds are utilized. Pursuant to the State's Health and Safety Code, Section 19132.3, "The governing body of a county or city, including a charter city, may adopt an ordinance prescribing fees for filing applications pursuant to this chapter, but the fees shall not exceed the amount reasonably required by the local enforcement agency to issue permits pursuant to this chapter, and shall not be levied for general revenue purposes."

The department has a Records Management fund set up specifically for the collection and use of revenues for records management purposes. Pursuant to the State's Health and Safety Code, Section 19852, "The governing body of a county or city, including a charter city, may prescribe such fees as will pay the expenses incurred by the building department of such city or county in maintaining the official copy of the plans of buildings for which it has issued a building permit, but the fees shall not exceed the amount reasonably required by the building department in maintaining the official copy of the plans of building for which it has issued a building permit." The revenues collected may only be used by the Planning & Building Department for records management purposes.

The department also collects a Community Planning Fee in order to recover a portion of the costs necessary to update and maintain the City's General Plan and Zoning Ordinance. Again, pursuant to State law, revenues collected through the Community Planning Fee may only be used for these activities, and not for general revenue purposes.

2. Can we use some of the money to expedite permit processing to get increased property valuation to help the General Fund?

Staff is currently meeting or exceeding its target turnaround times for plan check reviews. Until June 2007, the department did not consistently have two plan check engineers on staff. Over the last year, with the benefit of having two staff engineers dedicated to plan check review, the department has improved its turnaround time significantly. Following the receipt of plans from applicants, the department's turnaround time for review typically ranges between one and two days, and for complex projects, up to five business days. While the department had found it necessary in the past to utilize the services of an independent contractor, this is no longer necessary because at this time, delays in issuing permits are directly attributable to the applicants' response to plan check comments. However, it may be necessary to use a contractor in the future if the need arises or if there is an especially large and complex project being reviewed.

3. What are the sources of funding for the remodeling of the Carnegie Building?

An outside consultant conducted a nexus study two years ago to evaluate the department's fee schedule, which was increased by a percentage commensurate with the Bay Area Consumer Price Index, and subsequently adopted by the Council. The study concluded that direct and indirect costs associated with providing Planning and Building services, including the costs associated with the development and operation of the one-stop permit services center for the community, were appropriate uses of the fee monies collected. A portion of the fees not used to cover operating costs has been directed to a Capital Improvement Fund for permit center improvements. The feasibility study and design services related to the Carnegie Restoration and Preservation Project have been appropriated from these funds. Once the design is completed and the estimates for the restoration project are

finalized, staff will pursue various sources of grant funding to help complete the project.

Finance Department Issues

1. What is the decline in home sales and prices in the recent past?

Comparing the Feb-Apr 2007 quarter to Feb-Apr 2008 quarter, sales have declined 46.9% (from 179 to 95), and prices have declined 8.2% (from \$688,400 to \$631,902. (Source: Trulia Real Estate Search)

2. Please provide the detail of the transfers and other revenues generated by the enterprise funds.

Schedule of Enterprise Fund Transfers To the General Fund - FY09

	AP&T	SEWER	GOLF ¹	FERRY	TOTAL
Payment In-Lieu of Tax (PILOT)	408,932	599,597	198,262	-	1,206,791
Return on Investment (ROI) ¹	360,212	-	99,040	-	459,252
Franchise Tax - Electricity	3,000,000	-	-	-	3,000,000
Franchise Tax - Telecom	122,000	-	-	-	122,000
Annual Maintenance	-	397,000	27,000	-	424,000
Cost Allocation Plan (CAP)*	625,372	281,953	282,639	-	1,189,964
Estimated Surcharge (revenue) ¹	-	-	171,960	-	171,960
Subtotal Assessed	4,516,516	1,278,550	778,901	-	6,573,967
Rebated amount	-	-	271,000	-	271,000
Total Less Rebated Amounts:	4,516,516	1,278,550	507,901	-	6,302,967

¹ROI and Surcharge are reflected as rebates back to Golf in the proposed FY09 & FY10 Plan

3. Please provide the detail of the \$9.1 million in "Transfers from Other Funds" identified in the General Fund Revenue chart.

The transfers to the General Fund from other funds are detailed in Attachment 1.

4. What is the proposed policy for addressing the Other Post Employment Benefits (OPEB)?

Staff recommends adding the following elements to the City's Financial Policies as a new section entitled "Other Post Employment Benefits":

- It is the goal of the City Council to provide compensation that recognizes the service of its employees within the financial abilities of the City to meet those obligations over the long term.
- It is the goal of the City Council to achieve over time full funding of the retiree health benefits through continuous review of the benefit plan, the costs of the plan, and prudent use of an Internal Revenue Code Section 115 Trust.
- It is the goal of the City Council to include in each budget the costs of required actuarial studies and the costs of the Annual Required Contribution (ARC) to the extent that resources are available.

As a starting point, staff recommends that at June 30, 2009, funds that add to the fund balance of the City's General Fund be reviewed and those available to be allocated as a contribution towards the OPEB unfunded liability be appropriated to an Irrevocable 115 Trust. This funding mechanism should remain in place until such time as revenue sources become available to begin increasing the ARC.

5. What is the overall cost of the Retiree Health Benefit program? Please provide examples of public safety employee OPEB costs.

The present value of retiree medical benefits for both active and retired employees as of January 2007 is \$105,660,000. However, that portion of the benefit which has been earned and for which the City is obligated is \$75,377,000. In order to fund this obligation, the City will need to pay into an irrevocable trust approximately \$4.4 million each year. For an example of public safety employee costs associated with this program, please see the memorandum provided as Attachment 2.

6. Should we pull some of Public Works out of the General Fund (e.g. sewer fund) similar to what we've done with Planning and Building?

Special revenues used to support Public Works are first recorded as special revenue funds. Transfers occur for two purposes: to meet the Cost Allocation Plan and to fund annual maintenance projects. Cost Allocation Plan funds are transferred on a monthly basis in accordance with the plan to cover work performed by Public Works in meeting the purposes of the special revenue funds. The annual maintenance project costs are reimbursed by transfers from other special revenue funds as the costs occur. As there are no excess revenues transferred to the General Fund, there are no inadvertent increases to the fund balance. Therefore, it is not necessary to restructure the General Fund for the purpose of identifying the non-general fund resources.

7. Please detail the non-General Fund sources for annual maintenance costs.

Attachment 3 is a pie chart that was included in the budget presentation and provides the details of the sources of the annual maintenance costs included in the Public Works budget.

8. Please provide the details of the proposed refinancing included in the budget assumptions.

The Police and Equipment Certificates Of Participation (COPs) were originally issued in 1990 to provide funding to construct and equip the new Police Facility and the COPs for Library and Golf were originally issued in 1996 to provide funds for the seismic retrofit of the Carnegie building, in conjunction with a FEMA grant, and to build the Teaching Academy and Driving Range at the Golf Complex. Attachment 4 provides the agenda item presented to the City Council at the June 3 meeting. The action on this item was continued.

As the proposed budget was developed during the preparation of the structure of the debt service refinancing, the following assumptions of savings incorporated into the budget were conservative:

	FY09	FY10
Police Facility/General Fund	\$149,437	\$149,437
Police Facility/Construction Impact Fee	90,000	90,000
Library	119,320	115,585
Golf	67,118	70,790
Total	\$425,875	\$425,812

9. Please provide the detail of the amount and status of the funds contained in fund balance for the General Fund.

The estimated fund balance as of July 1, 2008, per the proposed budget, is \$14,192,013. That fund balance includes \$400,000 designated for Fire Station 3 and \$350,000 estimated to pay for a potential overtime obligation. These monies are not available for general City services.

In addition, donations received by the Mastick Senior Center and the Alameda Animal Shelter, and donations and grants received by the Police Department for non-animal shelter services, such as State Community Oriented Policing grants, are also included in the General Fund fund balance until they are spent for their designated purpose. These monies are also not available for general City services.

In addition, the following has been advanced to other funds:

Advanced From	Amount
Alameda Point Improvement Project	\$1,258,995
Alameda Redevelopment & Reuse Authority -FISC	2,400,000
Alameda Power and Telecom	2,200,000
Total	\$ 5,858,995

Items Brought Forth by Councilmembers for Future Discussion

1. Policy: All General Fund payments from the Golf Complex must continue.
2. Principle: Flatten the organization.
3. Principle: Sustain external services at the expense of internal services.
4. Policy: Refinance for hard assets only, not ongoing operations.
5. Policy: Use the fund balance for one-time expenses, not ongoing services.

CITY OF ALAMEDA											
TRANSFERS TO THE GENERAL FUND											
FY 09											
Transfer From:	Transfer to:	P&B	PW	PW MSC	PW Ann Mtc	St Lighting	Police Ops	Rec Admin	Park Mtc	Mastick Sr	TOTAL
Gen Admin	Gen Admin										By Fund
CIC	595,863	206,742	25,000								827,605
Other Spec Rev Fds	93,674				555,000						648,674
Gas Tax				475,000	75,000	380,000					930,000
Meas B Streets					655,000						655,000
Meas B Bike/Ped					50,000						50,000
Tidelands	8,636		36,216		65,000						109,852
Parking Meter	7,622			150,000	50,000						207,622
CDBG	10,000										10,000
FISC	153,836										153,836
Waste Reduction	51,684		50,585								102,269
Bayport MSD			26,000			5,000			117,500		148,500
Marina Cove MSD									119,500		119,500
Athletic Trust	106,869							11,500		25,000	143,369
Urban Runoff	36,011		228,753	85,600	246,000						596,364
Golf	268,273		8,178	3,000	27,000						306,451
Sewer	51,163	20,384	321,212	22,000	247,000						661,759
ARRA	2,745,157										2,745,157
P&B	105,877										105,877
Traffic Safety							150,000				150,000
AP&T, Housing etc.	364,877				16,000						380,877
TOTAL	4,599,542	227,126	695,944	735,600	1,986,000	385,000	150,000	11,500	237,000	25,000	9,052,712

RECEIVED

MAY 19 2008

CITY OF ALAMEDA
CITY MANAGER'S OFFICE

CITY OF ALAMEDA

Memorandum

To: Debra Kurita
City Manager

From: Juelle-Ann Boyer
Chief Financial Officer

Date: May 19, 2008

Re: Retiree Health Benefit

BACKGROUND

A number of years ago, the City approved contracts with all four of the Public Safety bargaining units granting payment of 100% of the medical premiums and dental premiums for the retiree and spouse. Police members have a vesting time period substantially above the standard PERS vesting period but Fire members do not.

DISCUSSION

The cost of this benefit to the City varies for each employee based on the specific life circumstances of that employee. However, the "typical" cost of the benefit for the average employee can be estimated based on the actuarial analysis performed on the Plan as a whole. The Retiree Health Benefit plan was serving 170 Public Safety retirees as of January 2007. In addition, the Plan calculates the benefit costs for 195 current employees eligible to receive this benefit upon their retirement. The Actuarial study assumes mortality, retirement, cost method, amortization period, and method the same as the City's PERS Actuarial study. The participation rate at retirement is based on the City's actual experience to date. Medical coverage is assumed to be the same as the current active elections. All contributions are assumed to earn interest while awaiting disbursement. The two assumed interest rates are 4.5% (funds kept in City's portfolio) and 7.75% (funds invested in irrevocable Trust such as PERS).

The Annual Required Contribution (ARC) consists of two elements: the Normal Cost and the Actuarial Accrued Liability. The Normal Cost represents the current year's contribution requirement. The Actuarial Accrued Liability represents one year's portion of the future cost of the benefit. For ease in comparison, the ARC is generally referred to as a percentage of current payroll. The percentage, of course, will change with each biannually required actuarial study as projected payroll changes. The January 2007

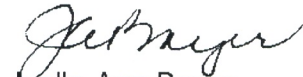
study calculates the ARC using the 4.5% rate for Police as 21.2% of annual payroll and using the 7.75% rate as 15.7% of annual payroll. Similarly, the ARC for Fire is 23.8% and 17.1%.

In the attached example, the ARC is calculated over the 30-year career of a Firefighter and a Police Officer using both 4.5% and 7.75% discount rates and other assumptions as noted. The resulting sums of the ARC payments are large. In order to make them more meaningful, the analysis calculates the Net Present Value of each expenditure stream. This is the amount that would need to be invested today in order to have the required sum at the employee's retirement. The differences clearly point out the value of investment at a higher rate of return.

BUDGET CONSIDERATION/FINANCIAL IMPACT

The analysis performed indicates that the Retiree Health Benefit costs, on a Net Present Value basis, between \$76,257 and \$232,152 for every new firefighter hired and between \$75,350 and \$222,551 for every new police officer hired, depending on the discount rate assumed in the Net Present Value calculation.

Respectfully submitted,



Juelle-Ann Boyer
Chief Financial Officer

JAB:dl

Attachment

Firefighter

Year	Salary	4.50% Disc.	7.75% Disc.
		Rate	Rate
		ARC 23.8%	ARC 17.1%
1	\$ 80,667.00	\$ 19,198.75	\$ 13,794.06
2	\$ 84,473.00	\$ 20,104.57	\$ 14,444.88
3	\$ 88,469.00	\$ 21,055.62	\$ 15,128.20
4	\$ 92,665.00	\$ 22,054.27	\$ 15,845.72
5	\$ 97,071.00	\$ 23,102.90	\$ 16,599.14
6	\$ 99,012.42	\$ 23,564.96	\$ 16,931.12
7	\$ 100,992.67	\$ 24,036.26	\$ 17,269.75
8	\$ 103,012.52	\$ 24,516.98	\$ 17,615.14
9	\$ 105,072.77	\$ 25,007.32	\$ 17,967.44
10	\$ 107,174.23	\$ 25,507.47	\$ 18,326.79
11	\$ 109,317.71	\$ 26,017.62	\$ 18,693.33
12	\$ 111,504.07	\$ 26,537.97	\$ 19,067.20
13	\$ 113,734.15	\$ 27,068.73	\$ 19,448.54
14	\$ 116,008.83	\$ 27,610.10	\$ 19,837.51
15	\$ 118,329.01	\$ 28,162.30	\$ 20,234.26
16	\$ 120,695.59	\$ 28,725.55	\$ 20,638.95
17	\$ 123,109.50	\$ 29,300.06	\$ 21,051.72
18	\$ 125,571.69	\$ 29,886.06	\$ 21,472.76
19	\$ 128,083.12	\$ 30,483.78	\$ 21,902.21
20	\$ 130,644.79	\$ 31,093.46	\$ 22,340.26
21	\$ 133,257.68	\$ 31,715.33	\$ 22,787.06
22	\$ 135,922.83	\$ 32,349.63	\$ 23,242.80
23	\$ 138,641.29	\$ 32,996.63	\$ 23,707.66
24	\$ 141,414.12	\$ 33,656.56	\$ 24,181.81
25	\$ 144,242.40	\$ 34,329.69	\$ 24,665.45
26	\$ 147,127.25	\$ 35,016.28	\$ 25,158.76
27	\$ 150,069.79	\$ 35,716.61	\$ 25,661.93
28	\$ 153,071.19	\$ 36,430.94	\$ 26,175.17
29	\$ 156,132.61	\$ 37,159.56	\$ 26,698.68
30	\$ 159,255.26	\$ 37,902.75	\$ 27,232.65
		<u>\$ 860,308.71</u>	<u>\$ 618,120.97</u>

NET PRESENT VALUE \$ 232,152.59 \$ 76,257.27

Assumptions:

- 1 Firefighter / Paramedic hired at Step 3
- 2 Step increases at 5% up to year 5
- 3 Cost of Living Increase of 2% per year beginning in 6th year.
- 4 Remains a Firefighter for 30 year career

Definitions:

ARC = Annual Required Contribution

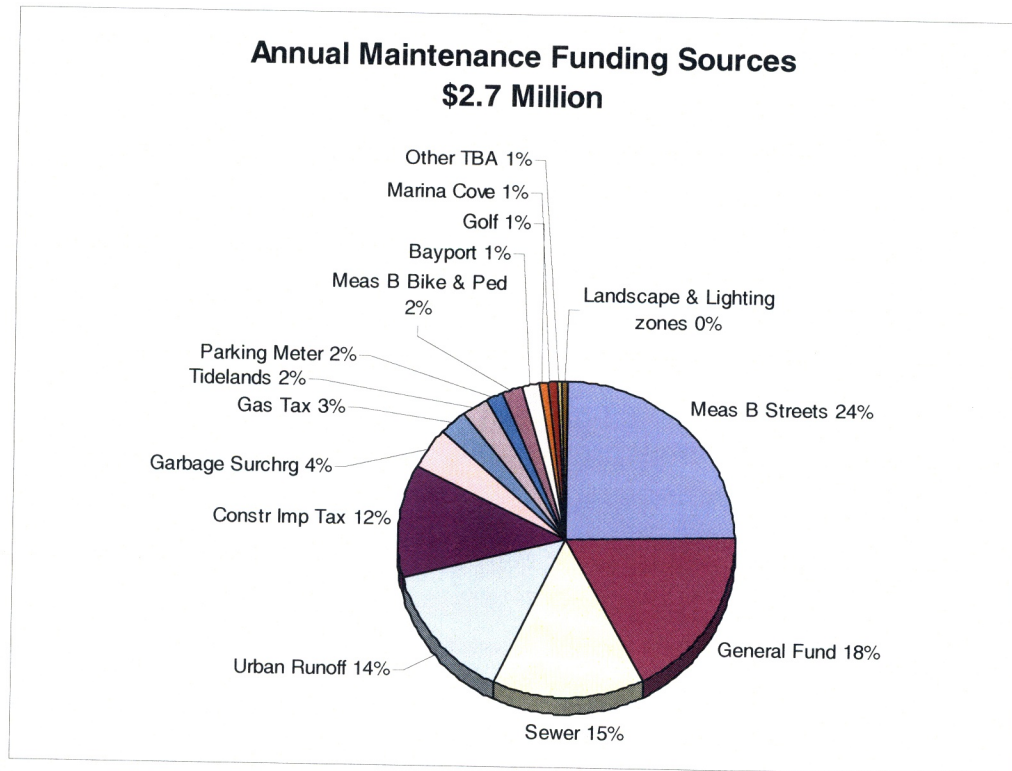
Police Officer

Year	Salary	4.50% Disc.	7.75% Disc.
		Rate	Rate
		ARC 21.2%	ARC 15.7%
1	\$ 80,559.00	\$ 17,078.51	\$ 12,647.76
2	\$ 84,586.95	\$ 17,932.43	\$ 13,280.15
3	\$ 88,816.30	\$ 18,829.06	\$ 13,944.16
4	\$ 93,257.11	\$ 19,770.51	\$ 14,641.37
5	\$ 97,919.97	\$ 20,759.03	\$ 15,373.43
6	\$ 99,878.37	\$ 21,174.21	\$ 15,680.90
7	\$ 101,875.93	\$ 21,597.70	\$ 15,994.52
8	\$ 103,913.45	\$ 22,029.65	\$ 16,314.41
9	\$ 105,991.72	\$ 22,470.25	\$ 16,640.70
10	\$ 108,111.56	\$ 22,919.65	\$ 16,973.51
11	\$ 113,582.00	\$ 24,079.38	\$ 17,832.37
12	\$ 115,853.64	\$ 24,560.97	\$ 18,189.02
13	\$ 118,170.71	\$ 25,052.19	\$ 18,552.80
14	\$ 120,534.13	\$ 25,553.24	\$ 18,923.88
15	\$ 122,944.81	\$ 26,064.30	\$ 19,302.34
16	\$ 130,419.86	\$ 27,649.01	\$ 20,475.92
17	\$ 133,028.25	\$ 28,201.99	\$ 20,885.44
18	\$ 135,688.82	\$ 28,766.03	\$ 21,303.14
19	\$ 138,402.59	\$ 29,341.35	\$ 21,729.21
20	\$ 141,170.65	\$ 29,928.18	\$ 22,163.79
21	\$ 151,193.76	\$ 32,053.08	\$ 23,737.42
22	\$ 154,217.64	\$ 32,694.14	\$ 24,212.17
23	\$ 157,301.99	\$ 33,348.02	\$ 24,696.41
24	\$ 160,448.03	\$ 34,014.98	\$ 25,190.34
25	\$ 163,656.99	\$ 34,695.28	\$ 25,694.15
26	\$ 166,930.13	\$ 35,389.19	\$ 26,208.03
27	\$ 170,268.73	\$ 36,096.97	\$ 26,732.19
28	\$ 173,674.11	\$ 36,818.91	\$ 27,266.83
29	\$ 177,147.59	\$ 37,555.29	\$ 27,812.17
30	\$ 180,690.54	\$ 38,306.39	\$ 28,368.42
		<u>\$ 824,729.89</u>	<u>\$ 610,766.95</u>

NET PRESENT VALUE \$ 222,551.71 \$ 75,350.01

Assumptions:

- 1 Police Officer hired at Step 1
- 2 Step increases at 5% up to year 5
- 3 Cost of Living Increase of 2% per year beginning in 6th year.
- 4 Remains a Police Officer for 30 year career
- 5 Retention Pay applied - 3% at year 11
4% at year 16 and 5% at year 21



CITY OF ALAMEDA

Memorandum

To: Honorable Mayor and
Members of the City Council

Honorable Chair and
Members of the Public Financing Authority

From: Debra Kurita
City Manager

Date: June 3, 2008

Re: Adopt a City Council Resolution Authorizing Preparation and Execution of Lease Financing Documents and a Preliminary Official Statement in Connection with the Offering and Sale of Certificates of Participation and Authorizing Certain Actions with Respect Thereto; and,

Adopt a Public Financing Authority Resolution Approving and Authorizing Preparation and Execution of Certain Lease Financing Documents and Authorizing Certain Actions with Respect Thereto

BACKGROUND

The City and the Alameda Public Improvement Corporation (APIC), a non-profit corporation formed by the City of Alameda, sold \$2.8 million of City of Alameda Certificates of Participation (1996 Police Building and Equipment Refinancing Project) in 1996. During the same year, the City and the APIC also sold \$4.9 million of City of Alameda Certificates of Participation (1996 Library and Golf Course Financing Project). There remains \$1.5 million and \$3.6 million outstanding respectively.

DISCUSSION

During the Fiscal Year 2008-2009 budget preparation process, it became evident that all avenues needed to be pursued with respect to cost containment. One option staff analyzed was the refinancing of the two certificates of participation issues from 1996 to restructure the future debt service requirements. The goal was to reduce debt service payments in the near term and reduce General Fund costs rather than to achieve net present value savings from interest rate reductions. To accomplish this financing, staff worked with the City's Financial Advisor (Gardner, Underwood & Bacon) to secure the services of an underwriter (Wedbush Morgan Securities), and a trustee (Union Bank of California). The services of bond counsel (Quint & Thimmig LLP) were authorized by the City Attorney.

CC/APFA/CIC

Report Re:

Agenda Item #3-B

06-03-08

Honorable Chair and
Members of the Public Financing Authority

The proposed new certificates to be issued will be approximately \$6 million Certificates of Participation (2008 Financing Project) with a 15-year maturity. The Police Building, whose value exceeds that of the Certificates, will serve as the facility to be leased for the principal amount of the Certificates. During the first year, the City will pay no interest or principal on the debt service; the interest is capitalized. In the second year, the City will pay interest only, while in the fourth and successive years, the City will pay both principal and interest. The debt service savings to the General Fund in Fiscal Year 2008-2009 are estimated to be \$239,438. In addition, the Library and Golf Funds will see savings of approximately \$236,496 and \$133,029 respectively as a result of the refinancing of the 1996 Library and Golf Course Financing Project.

The City Council is being asked to approve several documents and authorize the Mayor, City Manager, or Chief Financial Officer to execute the documents. These are:

- 1) a site and facility lease between the City and the Public Financing Authority;
- 2) a lease agreement between the Public Financing Authority and the City leasing back the Police Building for an amount not to exceed \$7 million, at a maximum interest rate of 5.5% and for a period no longer than 21 years;
- 3) a trust agreement among the City, the Public Financing Authority, and Union Bank of California to act as trustee for the financing and the execution and delivery of the new certificates; and
- 4) a certificate purchase agreement between Wedbush Morgan Securities, the underwriter, and the City relating to the purchase of the certificates by the underwriter at a discount not to exceed .75% of the principal.

The City Council is also required to approve the Preliminary Official Statement. When finalized, this document will become the Official Statement, which is the official offering for sale of the certificates. It contains information about the certificates themselves, the sources and uses of the funds, the financing plan, and background information about the City. The City Council, in adopting the resolution, also authorizes the Mayor, City Manager, or Chief Financial Officer to cause the Preliminary Official Statement to be brought into the form of a Final Official Statement by emending or correcting substantive facts. The resolution also directs the Mayor, City Manager, or Chief Financial Officer to deem as final the Preliminary Official Statement pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934. These documents are on file with the City Clerk's Office.

The Alameda Public Financing Authority must also approve the following documents:

- 1) a site and facility lease as above;
- 2) a lease agreement as above;

Honorable Chair and
Members of the Public Financing Authority

- 3) an assignment agreement between the Public Financing Authority and Union Bank of California as trustee under which the Public Financing Authority will assign certain of its rights , including the right to receive payments, to the trustee; and
- 4) a trust agreement among the Public Financing Authority, the City, and the Trustee regarding the financing and the execution and delivery of the certificates of participation.

These documents are also on file with the City Clerk.

BUDGET CONSIDERATION/FINANCIAL IMPACT

The Fiscal Year 2008-2009 debt service cost savings for the General Fund are estimated to be \$239,438, and the savings for Fiscal Year 2009-2010 are estimated to be \$164,529. Similarly, the Library and Golf Funds will enjoy debt service cost savings in Fiscal Year 2008-2009 and 2009-2010 as follows:

	<u>FY 2008-2009</u>	<u>FY2009-2010</u>
Library Fund	\$236,496	\$130,082
Golf Fund	<u>\$133,029</u>	<u>\$ 73,172</u>
Total	\$369,525	\$203,254

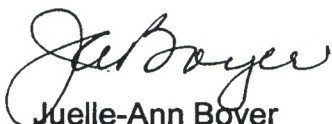
The total debt service net cost for the life of the issue is \$7.7 million. Without the refinancing, the remaining debt service net cost for the existing issues would be \$7.1 million.

RECOMMENDATION

Adopt a City Council Resolution authorizing preparation and execution of lease financing documents and a Preliminary Official Statement in connection with the offering and sale of Certificates of Participation and authorizing certain actions with respect thereto; and,

Adopt a Public Financing Authority Resolution approving and authorizing preparation and execution of certain lease financing documents and authorizing certain actions with respect thereto.

Respectfully submitted,


Juelle-Ann Boyer
Chief Financial Officer